

Members

Rep. Sheila Klinker, Chairperson
Rep. Phillip Hinkle
Sen. Ron Alting
Sen. Frank Mrvan
Patrick Reardon
Edwin Rousseau
Alan E. Jones
Pam Meyer
Kostas Poulakidis
Deanna Oware



ENTERPRISE ZONE STUDY COMMISSION

Legislative Services Agency

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Authority: P.L. 63-2004

MEETING MINUTES¹

Meeting Date: September 1, 2004
Meeting Time: 1:00 P.M.
Meeting Place: State House, 200 W. Washington St.,
Room 404
Meeting City: Indianapolis, Indiana
Meeting Number: 2

Members Present: Rep. Sheila Klinker, Chairperson; Rep. Phillip Hinkle; Sen. Ron Alting; Sen. Frank Mrvan; Edwin Rousseau; Alan E. Jones; Pam Meyer; Kostas Poulakidis; Deanna Oware.

Members Absent: Patrick Reardon.

I. Call to Order

Representative Sheila Klinker, Chairperson, called the second meeting of the Enterprise Zone Study Commission to order at 1:08 p.m. Representative Klinker and the Commission members introduced themselves. Upon a motion by Representative Philip Hinkle and a second by Alan Jones, the Commission approved the minutes of the August 3, 2004, Commission meeting.

II. Testimony from Interested Parties

The following witnesses testified about the positive impact of Enterprise Zones on their communities and businesses within their communities:

- Becky Bonham, South Bend
- Greg Leatherman, Ft. Wayne

¹ Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

- Bill Watson, Building Commissioner, Mitchell
- John Nielsen, Ispat Steel, East Chicago
- Todd Rash, BAE System Controls, Fort Wayne
- Jenny Hutch, Neighborhood President, Fort Wayne
- Marcia Varda, AJ Wright, South Bend
- Brent Steele, Bedford
- Mike Gibson, Owner, Mulhaupt's, Inc./UEA Board Member, Lafayette
- Mick Clark/Joe Brisley, Marion Glass/GETCO, Marion
- Dave Mazanowski, Mainscape, Inc., Indianapolis
- Bill Brown, Summit City Electric/UEA President, Fort Wayne.

III. Information on Urban Enterprise Association (UEA) Revenue

Representative Klinker recognized Mr. Dennis Carson, Executive Director, Lafayette Urban Enterprise Association, to present information on UEA revenue from 2002 to 2005 (see Exhibit 1). Mr. Carson noted that decreases in UEA revenue in 2003 were predominately attributable to reassessment and tax rate changes. However, he indicated that the substantial decline beginning in 2004 is attributable to reductions in taxable inventory due to the "work in process" exemption and local option inventory deduction.

IV. Information from Enterprise Zone Business Registration Forms

Representative Klinker recognized Ms. Deanna Oware, Enterprise Zone Program Manager, Indiana Department of Commerce, to present data collected from Enterprise Zone business registration forms (see Exhibit 2). Ms. Oware indicated that 2002 participation fees reported by registered Enterprise Zone businesses totaled about \$9.1 M. She also noted the decline in both new equipment expenditures and reinvestment in inventory between 1999 and 2002 by registered businesses.

V. Review of Legislative Proposals Relating to Enterprise Zones

Representative Klinker recognized Mr. Ross Hooten, staff attorney for the Commission, to present eight preliminary drafts of legislation concerning Enterprise Zone incentives prepared on behalf of the Commission. Mr. Jim Landers, fiscal analyst for the Commission, provided fiscal impact information relating to the proposals.

- PD 3054 converts the Enterprise Zone inventory credit into the Enterprise Zone personal property tax credit. The credit would result in an indeterminable shift in local property tax burden from credit recipients to other taxpayers, provided it is administered like a deduction as is the case with the existing inventory credit.
- PD 3055 establishes the Enterprise Zone job creation (income) tax credit equal to \$2,000 per new employee hired. It is estimated that the fiscal impact to the state from PD 3055 could range from about \$1.7 M to \$2.8 M annually.
- PD 3057 allows retail merchants located in Enterprise Zones to claim an additional 1% sales tax allowance. It is estimated that the fiscal impact to the state from PD 3057 could range from \$600,000 to \$700,000 annually based on existing retailers in the Enterprise Zones.
- PD 3058 increases the existing Enterprise Zone loan interest (income tax) credit from 5% to 15% of the interest received by financial institutions from qualified loans. The fiscal impact to the state from PD 3058 is currently indeterminable.

- PD 3076 allows a taxpayer to assign the existing Enterprise Zone investment cost (income tax) credit to another person, corporation, or pass through entity. It eliminates the various percentage credits applied: (1) across business sectors; (2) according to the number of jobs created; and (3) according to the amount of investment. PD 3076 also provides that \$50,000 is the minimum level of investment to qualify for a credit and that the credit is equal to 25% of the taxpayer's investment. The credit is capped at \$50,000,000 in 2006 and allows 5% annual growth in the cap thereafter. The fiscal impact to the state from PD 3076 is currently indeterminable.
- PD 3098 establishes an assessed valuation deduction for real property located in an Enterprise Zone. It also caps the total amount of deductions at \$25,000,000 for the 2006 assessment date and allows 5% annual growth in the cap. PD 3098 requires the available deductions to be allocated among the Enterprise Zones according to the assessed value of real property located in the Enterprise Zones on the assessment date of the previous calendar year. The deduction would result in a shift of \$25 M in local property tax burden from deduction recipients to other taxpayers.
- PD 3101 provides that a taxpayer may enter into an allocation agreement with an Urban Enterprise Association to receive an income tax credit of up to 3.4% of the taxpayer's payroll expenses that are attributable to the Enterprise Zone in which the taxpayer does business. As drafted, the credit could potentially be granted against all payroll of businesses in the Enterprise Zones. It is estimated that the resulting state fiscal impact could potentially total about \$170 M annually.
- PD 3137 provides that a taxpayer is entitled to a 30% income tax credit for research expenses incurred in an Enterprise Zone that exceed the taxpayer's research expenses incurred in the Enterprise Zone in 2005. The credit may be claimed in addition to the existing research expense credit for research expenses incurred outside the Enterprise Zone. The fiscal impact to the state from PD 3137 is currently indeterminable.

VI. Schedule for Next Meeting

Following discussion by the Commission, the third Commission meeting was re-scheduled from 1:00 p.m. on September 30, 2004, to 1:00 p.m. on October 12, 2004.

VII. Adjournment

Representative Klinker adjourned the meeting at 3:10 p.m.